ULv. Carteset (Old Bidge) (1985) Letter in lieu of formal brief in opposition to motion for restraint

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ANTONIO & FLYNN

COUNSELLORS AT LAW

PERTH AMBOY, N. J. 08861-(201) 826-3636

175 SMITH STREET April 29, 1985

P.O. BOX 515 OLD BRIDGE, N.J. 08857 (201) 583-8511

ALFRED D. ANTONIO WILLIAM E. FLYNN

PERTH AMBOY PLEASE REPLY TO: OLD BRIDGE

Hon. Eugene Serpentelli Ocean County Court House Toms River, N.J. 08753

URBAN LEAGUE OF GREATER NEW BRUNSIWCK, et al. v. BOROUGH OF CARTERET, et al. (Old Bridge Township) DOCKET NO. C-4122-73

O & Y OLD BRIDGE DEVELOPMENT CORP. v. TOWNSHIP OF OLD BRIDGE. DOCKET NO. C-009837-4

My dear Judge Serpentelli:

Please accept this letter in lieu of a formal brief in opposition to the motion of plaintiff, O & Y Old Bridge Development Corp.'s motion to restrain the Old Bridge Township Municipal Utilities Authority from permitting any further connections into its water system. Attached hereto and made a part hereof, are certifications from Frederick Kurtz, Consulting Engineer with attachments; A Certification from William E. Flynn, Attorney for the Authority and A Certification from Frank DiNino, Chairman of the Authority.

As is evident by the attached certifications, the Authority has been working diligently on the problem of obtaining additional potable water, not only for Olympia and York, but for any bona fide applicant. The present motion is a ploy by 0 & Y to gain bargaining leverage in discussions with the Old Bridge Utilities Authority as to who will bear the expense of bringing potable water to the property of Olympia & York, or in the alternative, it is a ploy designed to obtain the whole franchise of approximately 1/3 of the Township of Old Bridge into the hands of Olympia & York. Neither of these consequences are morally, ethically or socially desirable from a public policy standpoint, and the Court should not be party to or entertain a motion designed to do just that.

The Authority stands ready, willing and able to discuss and enter into an agreement with O & Y on all aspects of supplying water to them at a fair cost basis. Toward this end, serious negotiations . were conducted by a Special Master of this Court, Carla Lerman and I was under the impression that things were proceeding smoothly until O & Y was asked to answer questions as to the timing of their needs.

Lest the Court forget, Olympia & York is not a charitable institution, nor in the business of supplying low and moderate housing. They are using the mantle of being the supplier of housing to those who can't afford market prices to accomplish their goals.

When one cuts through the rhetoric contained in the brief of 0 & Y one is clearly aware that they are trying to do is obtain leverage through this motion.

I will not dwell on the subject matter which basically involves the Township of Old Bridge governing body and planning board with respect to whether or not there is a probability of success of their lawsuit, but it is my opinion that the Township of Old Bridge has been attempting to meet O & Y more than 1/2 way. As I have indicated in my affidavit, I find that the use of newspaper clippings in legal memoranda is highly suspect in terms of lack of probity. Of course the Township of Old Bridge needs ratables. Old Bridge unlike many of the other communities in Middlesex County has very little commercial or industrial ratables and has paid the price for same with a very high tax rate. The high tax rate is one reason why it is difficult to build low and moderate income housing in Old Bridge. Thus if we in Old Bridge are able to obtain increased ratables, the tax rate will go down and affordable housing will become more of a reality.

On the issue of irreparable harm, the plaintiff's brief does not touch upon the harm that will be done to the Authority if a motion such as this is granted. As has been pointed out in the attached certifications, there is a serious detriment to the Authority as well as to potential applicants of the Authority if the Order proposed is signed. Obviously, Olympia & York wants to hold

the "sword of Damocles" over the heads of the Authority Commissioners in order to obtain concessions which would not and should not be given under fair and equitable conditions. The Authority must generate approximately \$500,000 in revenue-from connections on an annual basis and without this additional revenue, the Authority could be in jeopardy of being placed in bankruptcy by its Trustee who represents the Bond holders of the Authority. The Bond holders have a Trust Indenture with the Authority which requires the Authority to maintain a revenue base sufficient to meet certain needs tests of the Authority and it generally averages 120% of the amount necessary to pay the interest and bonds over the course of the year. Without the revenue generated from the additional connections, the Authority is going to have to make permanent a 6.5 million dollar Bond Note sometime between now and September, 1985. If the Court signs an Order such as the one proposed, there would be great difficulty in marketing a Bond issue at any rate and certainly, the Authority would pay a much higher than market rate if it could find an underwriter who would in fact market a Bond for an Authority under such constraints.

It is the position of the Authority that the proposed Order is premature since there have not been a full exposition of all of the possibilities for obtaining water and is without precedent and should be denied.

Respectfully submitted,

WILLIAM E. FLYNN

WEF:pj Att;

CERTIFICATION OF FREDERICK H. KURTZ

Frederick H. Kurtz, hereby certifies as follows:

- 1. I am the Consulting Engineer for the Old Bridge
 Municipal Utilities Authority having been appointed in February
 1984.
- 2. Since my appointment, I have been vigorously been engaged in studying the future water needs of the Authority and was appropriated to a special Water Search Committee in 1984 for this purpose.
- 3. I have actively explored with two Commissioners of the Authority the possibilities of getting additional water from the City of Perth Amboy, the Middlesex Water Company through a pipeline through the Borough of Sayreville, a joint venture with the Township of East Brunswick, a joint venture with Marlboro Township, Gordons Corner Water Company, City of South Amboy and the Borough of Sayreville and I have reviewed the possibility of establishing a recharge system in the Township of Old Bridge and applying for additional diversionary rights from the State of New Jersey.
- 4. I have met on a number of occasions with representatives of Olympia and York as well as their consulting engineers and a special Master appointed by this Court.
- 5. In my opinion, progress was being made in establishing an agreement with Olympia and York for the furnishing of water until some time in February, 1985 when I asked Olympia and York to furnish me with a schedule of their proposed construction, so that I could establish feasible construction schedule for the

acquisition of water. It was at this point that it appeared to me that Olympia and York either could not furnish same or because of some hidden agenda, furnish such a schedule.

- 6. Recently, the City of Perth Amboy has entered into an agreement with the Authority to furnish sufficient water for the needs of the Authority for the next several years. Based upon the present needs of the Authority and the proposed construction within the next two years, it would appear that the Authority has sufficient water to meet its needs until a permanent solution is found to meet future anticipated demands.
- 7. The crisis referred to in the affidavit of Mr. Coe, in paragraph 15, was a short term crisis predicated upon the changing of the seasons and filling of swimming pools by many of the residents at the same time during the same weekend.

 Ordinarily during the course of the year, the Authority has at least 2 million gallons per day of surplus pumping and treatment capability available to its citizens, plus a significant reserve of approximately 10 million gallons per day. During some severely hot days in the summer when as indicated above, the residents fill pools, water lawns and wash cars at the same time, there have been some difficulties, but these have been met with the new contract with the City of Perth Amboy and should give sufficient water for all of the needs presetnly projected by the Authority to be in place over the next two years.
- 8. The O & Y project is a unique and extraordinary project and if effect, is a city within a city. This project will require extensive planning and expense and it is incumbent upon the developer realistic projections of the need for water so that the Authority can plan for same.

9. There are many reasons why the development schedule of O & Y is necessary in order to plan. The sizing of pipe, the placing of interconnections, the timing of the placement of the pipes and connections all vary depending upon need. If O & Y is going to construct 500 homes a year the need for significant water increase is less than if O & Y is going to project 3,000 units a year. Will it be in the 1985, 1986 building season or will it be in 1990? The Authority has to bond for capital expansion and the bonds have to be satisfied from revenues in order to both sell the bonds and maintain the Trust Agreement with bond holders. None of this can adequately be prepared without information from O & Y.

I hereby certify that the foregoing statements made by me are true and I am aware that if any of the foregoing statements made by me are wilfully false, I am subject to punishment.

FREDERICK H. KURTZ

April 29, 1985

FREDERICK H. KURTZ

CONSULTING ENGINEER - LAND SURVEYOR
TELEPHONE 201 - 257-7800

FREDERICK H. KURTZ, P.E., L.S.

7 PARLIN DRIVE, PARLIN, N. J. 08689

Propherony or the participation and animal and

April 17, 1985

Mayor George Otlowski
City Hall
260 High Street
Perth Amboy, NJ 08861

Re: Old Bridge MUA

Dear Mayor Otlowski:

On Tuesday, April 16, 1985, the Commissioners of the Old Bridge Municipal Utilities Authority met in executive session with the Mayor and Council of Old Bridge Township to discuss the Authority's plans to provide a long term, high volume, potable water source for the Township. As a result of this conference, I have been directed to obtain certain data from the City of Perth Amboy for the purpose of evaluating the much discussed Perth Amboy--Old Bridge interconnection.

In previous correspondence to Superintendent Langenohl, I attempted to obtain information which would assist Old Bridge in considering Perth Amboy's ability to provide adequate supply. Copies of these inquiries are attached. Old Bridge has reached a point where a "final" decision must be made. If the City is prepared to address the issue of supplying Old Bridge with 2.0 MGD (ADF) in the year 2000, we will require the following information for review and evaluation:

- l. Identify source of supply, quantities, and supply copies of all contracts for the purchase of water from other purveyors.
 - Submit statement of condition of river crossing pipelines and timetable for repairs. Include resolutions and/or ordinances authorizing such repairs and the funding mechanism to be utilized.

- Submit hydraulic characteristics of distribution system to proposed point of delivery at intersection of Cheesequake Road based upon full flow of 20 MGD.
 - 4. Indicate responsibilities to be assumed by the City and the Authority with regard to construction of interconnections, metering and pumping, if required.
 - 5. Indicate peak hourly flow which will be made available to the Authority.
 - Submit timetable indicating dates and flows to be made available commencing January 1, 1986 thru January 1, 2000.
 - 7. Indicate proposed rate structure, term of proposed contract and the manner in which rate increases will be developed.
 - 8. Your letter of December 21, 1984, purports to have 8.0 MGD available for sale at \$750 per million gallons by July, 1986 Your present revenue derived from the same of product is obviously much greater than \$0.75 per 1000 gallons. Please address the methods by which you can maintain the \$750 rate while, at the same time, realize the decrease in revenue.
- 9. If an agreement can be reached for the required 20.0 MGD and if it is your plan that a portion of that quantity be derived from the Middlesex Water Company, submit technical data concerning the various system pressures and the manner in which you plan to serve Old Bridge under combined flow conditions.
- 10. Submit copies of engineering studies prepared by Adteck and Elson T. Killam which address the issues of recharge and/or treatment.
- ll. Submit listing of N.J. DEP and U.S. Corps of Engineer's permits applied for and current status of applications.

I would respectfully request that the data be made available prior to May 3, 1985. Pending lititgation requires that a decision be made prior to May 14th.

Very truly yours,

FHK: jsf Encls.

Frederick H. Kurtz Consulting Engineer

CC: Marty Langenohl, Supt., Perth Amboy
Hon.Mayor and Township Council
Chairman and All Commissioners, Old Bridge MUA
William Flynn, Esq.
Ms. Carla Lehrman
Jerome Convery, Esq.

FREDERICK H. KURTZ

CONSULTING ENGINEER - LAND SURVEYOR

FREGERICK H. KURTZ, P.E., L.S.

PARLIN DRIVE PARLIN N. I ORGE

February 15, 1985

Marty Langenohl, Superintendent
Water Department
City Hall
260 High Street
Perth Amboy, NJ 08861

Re: Old Bridge MUA

Dear Marty:

Old Bridge is deeply involved in litigation regarding the Olympia and York and Woodhaven developments which contain more than 17,000 units. The Authority must present a clearly defined plan to furnish these units with potable water for review by the Court appointed "Standing Master" and by the Court itself. Engineers for the developers have submitted consumption estimates indicating an average daily flow of 10.0+ MGD with peak demand exceeding 14.0 MGD.

There is no question in my mind that the Court will not accept a plan for the future devoid of written commitment. I hope that you can appreciate the true position of the Authority. A major portion of its franchise is in jeopardy unless a firm, long-range plan can be put into place.

At a recent meeting between Perth Amboy and the Old Bridge MUA, it was indicated that Perth Amboy could provide the Authority with 20 MGD from Middlesex Water Co. at a cost less than the alternative direct connection under consideration with the Borough of Sayreville. This is a rather serious "carrot" and, an inconceivable one, unless Perth Amboy is prepared to back up the proposal with concrete facts.

If the Perth Amboy "proposal" to furnish Old Bridge with a longterm supply is to be seriously considered, we must have data to consider. The last conversation we had regarding the matter was over one month ago at which time you indicated Perth Amboy was "working on" an agreement with Middlesex.

If Perth Amboy is a serious contender for a long-term supply, I will need at least the following data immediately:

- 1. Identify your source of supply and contractual arrangements to guarantee supply.
- Submit your timetable for completing pipe line repairs and indicate the date or dates on which water will be made available.
- 3. Provide system characteristics in sufficient detail to allow us to project main pressures at point or points of delivery.
- 4. Indicate responsibilities to be assumed by both parties regarding metering, pumping (if required).
- 5. Submit anticipated rate structure, term of proposed contract and the manner in which rate increases will be developed.
- 6. Supply any other data which will assist Old Bridge in making a responsible decision.

The situation facing the Old Bridge MUA is not one which allows the infiltration of guess work or other non-technical considerations. Old Bridge must have a concrete proposal within the next two-to-three weeks or face disastrous consequences.

Very truly yours,

Frederick H. Kurtz Consulting Engineer

FHK: isf

cc: Chairman Frank DiNinno, OBMUA

FREDERICK H. KURTZ

CONSULTING ENGINEER - LAND SURVEYOR

PREDERICK M. KURTZ, P.E., L.S.

7 PARLIN DRIVE, PARLIN, N. J. 00689

February 7, 1985

Mr. Marty Langenohl
Supt., Water Dept.
City Hall
260 High Street
Perth Amboy, NJ 08861

Re:Old Bridge Supply

Dear Marty:

The Old Bridge Municipal Utilities Authority has directed me to evaluate the hydraulic characteristics of both the existing interconnection and a proposed "new" connection at Cheesequake Road.

Please provide me with the following data at your earliest convenience:

- 1. Diameter of main through which you propose to supply Old Bridge.
- Delivery main pressure at 700 gpm at Cheesequake Road.

In addition to the foregoing Bill Flynn advised the Commission that Perth Amboy might make available approximately 20 MGD through an existing pipeline between Perth Amboy and Old Bridge. Can you tell me what pressure might be expected at the same Cheesequake Road location under this plan?

Very truly yours,

Frederick H. Kurtz Consulting Engineer

FHK: jsf

cc: Frank DiNinno, Chairman, Old Bridge MUA

CERTIFICATION OF WILLIAM E. FLYNN

William E. Flynn, hereby certifies as follows:

- 1. I am the attorney for the Old Bridge Municipal
 Utilities Authority as defendant and also regular attorney for
 the Authority on an annual basis.
- 2. I have been actively engaged over the past several years for the search for water and concur in the statements made by the consulting engineer, Frederick Kurtz.
- 3. It is my opinion that the plaintiff, Olympia and York is seeking by this motion to obtain an unduly heavy leverage against the Authority by either obtaining a contract which would be made under duress for the furnishing of water or by compelling the Authority cede its franchise.
- 4. The Old Bridge Municipal Utilities Authority is a non-profit corporation and is an entity formed by the Township of Old Bridge to serve the citizens of Old Bridge who need potable water. The Authority does not make a profit and is not chartered to make a profit and operates under strict governmental regulations including budgetary financing established by Statutes of the State of New Jersey.
- 5. Financing for capital improvements by the Authority are accomplished through bond issues which are financed by revenues from the Authority. Whenever the Authority attempts to increase its distribution system or expand its capital plant, it must justify same to those persons buying the bonds of the Authority and show that there will be sufficient revenue over and above its

operation needs to pay the bonds, interest and principle.

- 6. The Authority has been discussing with a number of other communities the possibilities of joint venturing pipelines which would significantly increase the available potable supply of water in Old Bridge. In an effort to put together a feasibility study of the costs of such joint ventures, the Authority has sought from the plaintiff O & Y input concerning the time and building plans of O & Y. Up until 10 days ago, this has been met with silence and ambiguity and this has placed the Authority in a position of not being able to proceed with joint venture plans.
- 7. It is my opinion that this current motion is designed to give 0 & Y a strategic advantage and 0 & Y actually has a hidden agenda which will be accomplished by this motion. Olympia and York would like nothing better than the Authority giving up its franchise or build a pipeline with another community at its own cost and then seek to tie into the pipeline at a greatly reduced cost. Previous discussions with 0 & Y as to their participating in a pipeline across the Raritan River to obtain water from Middlesex Water Company have bogged down because Olympia and York has suddenly decided to take Court route to obtain their goals instead of the negotiated route which seemed to be coming fruition.
- 8. I find it strange that the Special Master appointed by the Court who was participating with negotiations which seemed to be bearing fruit, has no longer been included in the process.

A report from her as to her recommendations is clearly warranted and continued discussions with the Standing Master should be the recommendation of the Court as the outcome of this motion.

- 9. As early as 1981, when O & Y stated another law suit against the Old Bridge Municipal Utility Authority, the ultimate goal of O & Y was to have its own water company. Water companies in private hands are not a desirable goal and particularly in light of increased need for portable water in the State of New Jersey. We are in a state of drought which could be as severe as we have ever had and to permit private developers to control the water supply of the community is a step in the wrong direction This has been O & Y's goal in the past and appears to be their goal once again.
- Authority has stopped its efforts to obtain additional water is totally false. I am surprised that Counsel in a case of such magnitude would rely on hearsay reports in a newspaper to buttress his position such as those set forth in his exhibits. The newspaper article set forth in Exhibit A is misleading and has also been misread by Counsel for Olympia and York. The resolution that was voted down 3 to 2 was a resolution directing the attorney to draw up a contract with the Borough of Sayreville to construct a pipeline. This in no way reflects the thinking or attitude of the Authority respecting the proposition of building such a pipeline. What it did reflect was a decision by the Authority

to do several things before drawing up such a contract. These things were:

- a) exploring one last time, the possibility of joining with Perth Amboy:
- b) conducting a special meeting with the Township Council of Old
 Bridge, which was done shortly thereafter;
- c) conducting a public hearing for residents of the community to determine their input.

It should further be pointed out that even in the article which is set forth as Exhibit A, one of the members of the Authority who voted against the drawing of a contract said he wanted to consider other options before moving ahead with the pipeline and further said "after all possibilities have been considered, he may support the project with Sayreville".

- 11. I believe the affidavit of Township Attorney, Jerome Convery has adequately set forth the position of the Township of Old Bridge as being contrary to the implications of the articles attached to the moving papers of O & Y.
- 12. As attorney the Authority for 9 years, I have had "many dealings with newspapers and find that there is a tremendous amount of misinformation appearing in print. The reporters many times come late, leave early or don't listen to the whole testimony on a topic and then write an article filled with misinformation.

 I am sure the Court has had ample experience with newspaper articles setting forth Court proceedings inaccurately so that the

Court will not use newspaper articles as "gospel".

participated in the entering into an agreement with the City of Perth Amboy for the furnishing of approximately 1 million gallons of water a day. According to all information that I have received this should be sufficient to meet the needs of the Authority for the next several years and there is no need for any ban such as that sought by this motion. The projected needs for Olympia and York currently exceed the daily needs of Old Bridge at the present time. Obviously, no short term solution is going to satisfy the ultimate needs of Olympia and York and this is why we have been diligently working to come up with additional water sources.

I hereby certify that the foregoing statements made by me are true and I am aware that if any of the foregoing statements made by me are wilfully false, I am subject to punishment.

Milliam E. Flynn

April 29, 1985

CERTIFICATION OF FRANK DININO

Frank DiNino, hereby certifies as follows:

- l. I am the Chairman of the Old Bridge Municipal Utilities Authority.
- 2. In February, 1984, a brand new Authority was appointed under a new form of government in the Township of Old Bridge.

 Since that time, I and the members of my board have diligently been studying and seeking to increase the supply of potable water to the Authority. Below in chronological form is some of the efforts that have been made:

April, 1984 Chairman appoints Water Search Commit	:tee
June, 1984 Authority by resolution authorizes ne	gotiations
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with Middlesex Water Company to incre	ease water
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supply.	

August, 1984 Municipal Utilities Authority Search Committee
receives contractual terms from Middlesex
Water Company

all parties.

December, 1984

January, 1985

January, 1985

14th

29th

September, 1984 Municipal Utilities Authority Search Committee
receives preliminary engineering report by
consulting engineer, Frederick Kurtz on
"Alternate Sources of Portable Water".

Full Board of OBMUA receives the "Kurtz Report"
A meeting is established with Carla Lerman,
Special Master at which the Authority, Olympia
and York and Woodhaven representatives meet.
Second meeting with Master Carla Lerman and

February, 1985 Third meeting between Special Master Carla 5th Lerman and all parties. Authority and Marlboro Authorities discuss February, 1985 "Kurtz report" and direct engineers to confer on time tables for staged construction of pipeline with Olympia and York and Woodhaven. Authority receives correspondence from Sayrevil February, 1985 in connection with possible project under Raritan River. March, 1985 Attorney of Authority communicates with Borough of Sayreville in connection with entering into contract negotiations for the construction of a pipeline under the Raritan River. March 27,1985 OBMUA engineer receives Woodhaven H2O requirements. April . 1985 OBMUA receives H2O requirements of O & Y April 3, 1985 Authority signs contract with Perth Amboy to supply between 50 and 120 million gallons per year of water. April 3,1985 Authority takes action to construct clarifierdecant system to provide 90 million gallons per year of additional available water presently being wasted. April 16, 1985 Authority has joint meeting with Old Bridge

Township Council to discuss construction of

pipeline under the Raritan River and other

alternatives to obtaining portable water.

- 3. It has been my opinion that Olympia and York does not want to pay its fair share of the capital costs for improving the system unless it actually owns the water company and this is not in the best interests of the present or future water users of of the Township of Old Bridge. Water supply is best left in the hands of a non-profit organization that has as its only interests the supplying of water to its users and not the profit making incentive.
- 4. The Authority has a very tight budget and as part of the budget, the Authority has projected 600 water connections at a total cost of \$480,000. If the Authority were to not have availabl to it these connections because of the implementation of an Order such as the one proposed, then the Authority would be in serious danger of bankruptcy, because the revenue would not be sufficient to meet the tests required by the Bond holders in the Trust In fact, the very making of this motion has possible serious ramifications to the Authority and it would be requested that the Court would swiftly deny this motion. On May 11th, 1985 a 6.5 million dollar note is due and owing to the Bond holders of the Authority. The Authority is presently negotiating with a bank to roll over this note on a short term basis (3 to 6 months) thereafter the Authority will have to permanently finance these Any serious questions of the Authority's ability to generate sufficient revenue to pay the bonds, could cause bond holders to shy away from the bond or in the alternative, charge

exorbitant rates of interest in keeping with the significantly increased risk.

- 5. When the Court utilizes the balance of equities test in deciding this motion, I would ask the Court to pay careful attention to the jeopardy that the granting of such a motion would cause to the very existence of the Authority.
- 6. Without going into great detail on the unfairness of the application as pertains to applicants to the Authority, I will say that it would be grossly unfair to preclude people who have already constructed dwellings, office, stores and the like from being able to connect into the water system or preclude those who have spent thousands of dollars in the planning stages from being able to obtain approvals for what may be a project that never gets built. Olympia and York has been talking about the project that they are proposing for almost a decade and not one water user has been put in place. They could talk for another decade because of the many vagaries of the financial system, interest rates and other priorities that Olympia and York may have and certainly they should not be permitted to deprive others who are ready, willing and able to build in doing so.
- 7. I also fear the terms of the proposed Order, will give O & Y unequal bargaining position. In my reading of the Order, they request that the Utilities Authority enter into a binding agreement to supply potable water on a "cost-effective basis to the plaintiff". It would appear that this subjective test may never be met and the Olympia and York developer could drive

such a difficult bargain that it would put the Authority in a position of either conceding the franchise or entering into a very poor bargain in order to keep from going bankrupt.

I hereby certify that the foregoing statements made by me are true and I am aware that if any of the foregoing statements made by me are wilfully false, I am subject to punishment.

Frank Dovimo

FRANK DI NINO

April 29, 1985